

గుంటూరు ప్రెజ్ బ్ శ్రీకాశం కోనేరు ఇ బర్ నేషనల్ విజయవాడ ఫస్ 61936 కృష్ణా తపాలాలో డిప్రెండ్యూట్స్ విజయవాడ పశ్చిమ గోదావరి విజయ్ ప్రెస్ లిమిటెడ్ బాబ్బగోదావరి త్యోతి సు-గ్రామ.డి- నెల్లూరు ఎన్ వి.కె. ఎల్.ఎస్. నెల్లూరు ప్రెస్ రాజరాజ్ కురి లిండ్ కి నాబాద్

Excerpts from the Managing Director's Speech at the Thirty-Fourth Annual General Meeting of the State Bank of India held on 27th July 1989 at Hyderabad



Shri V. Atal, Managing Director

ECONOMY

Taking a look first at the Indian economy, the picture we see is heartening. An exceptionally good monsoon in 1988-89 led to a record growth of about 19 per cent in agricultural production. Foodgrains production touched a new peak of over 170 million tonnes. Industrial growth during the year is also estimated at 8.8 per cent against 7.3 per cent in 1987-88. Going by official expectations, the Gross Domestic Product would have increased by about 9 per cent in 1988-89. With improved power availability, higher agricultural incomes and a pick-up in industrial production, corporate results have shown general improvement. Better corporate results, backed by improved fundamentals of the economy, have led to a buoyancy in the stock markets. All in all, the performance of the economy in 1988-89 augurs well for the Eighth Five Year Plan which seeks to step up the overall growth rate to 6 per cent per annum.

On the export front, the uptrend in growth continued apace. During 1988-89, exports increased by 29 per cent over and above the growth of 25.3 per cent recorded in 1987-88. The various liberalisation and export promotion measures announced over the period by the Government of India and in the Union Budget of 1988-89 are clearly having a positive impact on the country's export performance, especially in the identified 'thrust' sectors. The balance of payments position, however, continues to be under strain on account of the surge in imports, bunching of IMF and other repayment obligations and certain emerging protectionist trends in international trade.

PERFORMANCE

In tune with improved performance of the economy, I am happy to report that your Bank has made good all-round progress. Among other things, all the major targets laid down by the Government in the matter of financing of the priority sectors and the weaker sections of society have been met. This reflects the Bank's unremitting commitment to these vital segments of our society in the national cause of employment generation and poverty alleviation. Despite the resultant pressures, profits have improved, reflecting the continued soundness of your Bank's business policies and its ability to adapt itself to the changing and increasingly competitive environment. Dividend has been maintained at Rs.25 per share per annum.

What has given us very particular satisfaction this year is a Balance Sheet which is altogether free of any qualifications. It may be said that a clean balance sheet is an elementary requirement of a modern bank. True, but this is no easy task because of the wide spread and diversity of our activities and the realities of the Indian situation. This achievement is the culmination of a prolonged and continuous process of toning up the working of the Bank on all fronts, viz. business development, house-keeping, recoveries, management of non-performing assets, providing adequately for bad and doubtful debts, etc., with distinct focus on productivity and profitability.

I may be permitted here to comment on the subject of profitability. While your Bank has shown good working results, the banking system as a whole seems to be operating under serious strain on profits as a result of escalating costs on the one hand and inadequate incomes on the other. Rising overheads, diminishing scope for remunerative fund-based business, and the imperative demands of social banking are making themselves felt through increasing pressure on profits. If these latter demands are to continue to be effectively met – as indeed they must – banks simply have to reverse the current disturbing trend and build up their capacity to withstand further profit erosion. Such erosion affects their ability to effectively handle development and social banking. Among the various parameters by which banks' performances are judged, it would perhaps be advisable that, for some time at least, banks place greater emphasis themselves on profits and balance sheet strength. A healthy and growing economy needs a sound banking system.

While public sector banks find themselves in this plight, we see in India the strange spectacle of foreign banks enjoying a better competitive position in this country than domestic banks. Not bound by developmental responsibilities and the regulatory measures that go with them, and unaffected by certain controls imposed on the public sector banks, foreign banks have a distinct operating advantage. With more and more foreign banks opening branches in India equipped with the latest that technology can offer, this advantage will make itself even more increasingly felt at the cost of the domestic banking sector. It merits mention here that foreign banks, which constituted at end-1987 only 3.5 per cent of the Indian banking system in terms of working funds, had a share of as high as 19.5 per cent in the net profits declared by the system for that year.

A word in this context on the term 'controls' that I have just used. We feel that the logical accompaniment to the current process of deregulation in the banking industry should be to enlarge the areas of operational freedom available

to every individual public sector bank, within the framework of overall guidelines about objectives or a memorandum of understanding spelling out mutual expectations between the Government, Reserve Bank of India and individual banks. In fact, the perspective plan which spells out the qualitative and quantitative goals to be reached by banks, would serve virtually as such an informal memorandum of understanding. We have experienced that the periodical monitoring of banks by the Governor of the Reserve Bank of India through, inter alia, the instrumentality of the quarterly perspective plan review meetings with the bank chief executives has been exceedingly helpful to the bank managements in monitoring their own efficiency and effectiveness. This being so, within the overall goals settled and broad policy parameters outlined, it would be desirable to allow banks – and even encourage them – to develop and blossom according to their own ethos, genius and culture. The emphasis on uniformity, to the accompanying mechanism of controls to enforce it, serves merely to stifle this process. It is clearly unnecessary, often dysfunctional, to attempt to have all public sector banks – however big or small – functioning within a straitjacket of uniform systems, procedures, organisation and personnel policies and practices. For example, a bank like the State Bank, which is distinguishable by its sheer size and strength and whose organisational and other needs cannot really be equated with those of the other public sector banks, could be given a measure of freedom to move on its own, always, of course, subject to the usual strict performance monitoring but without other external inhibiting procedural and operational controls. This would be in line with what is universally recognised as professionalisation of management which, incidentally, was one of the objectives behind the nationalisation of banks 20 years ago. You may recall that, in her broadcast to the nation after the nationalisation of 14 major banks on 19th July 1969, the late Prime Minister, Smt. Indira Gandhi, had made a special mention of 'giving a professional bent to bank management'. Should any bank then not measure up to the performance expected of it, corrective action could be taken which could include re-structuring and weeding out the inefficient.

The issue of re-structuring of the banking system in India has been a much debated one. However, ill-informed debate on the subject merely disturbs the banking environment and diverts attention from issues of consequence. It needs to be emphasised that there is no single standard or rational size of a bank or single rational basis for re-structuring the industry. There are pluses and minuses to whatever arguments are put forward. Overall, across-the-board re-structuring would not be warranted or justified on the basis of cost-benefit analysis, because organisational reconstruction is an organic process and not a mechanical one. As to our own, the State Bank, experience, even if we take one aspect of this issue, viz. the size of a bank, we in the State Bank of India have always felt our size as being our strength. Indeed, the large number of achievements of the State Bank of India, including the fact that it did not find any need to go into the possible without the advantages of size. What is of consequence is an appropriate organisational structure backed up by a well-oiled delegation-cum-control mechanism and supportive management practices. The Talwar Committee on Customer Service in Banks had pointed out the correlation between the customer service and the size of a bank although it did find correlation between the size of an individual branch and the customer service offered by it. Even so, there is a felt need today, for a close look at the organisational structure of the State Bank of India in the light of their present and future capacity to effectively handle the needs of a growing economy in a fast-changing domestic and global environment.

RURAL CREDIT

In the field of rural credit, we welcome the initiative taken by the Reserve Bank of India in introducing the Service Area Approach, under which branch managements of banks will play an increasingly important role in rural development. They will have the responsibility to carry out detailed studies of the development potential of the villages in their Service Area, draw up credit plans on the basis of such studies, sanction and disburse loans as per plans and carry out the post-sanction tasks of monitoring, follow up and review. The initial tasks under the Service Area Approach, viz. allocation of villages and among branches of banks, surveys and plan-formulation have already been completed, and we have geared ourselves to fulfil the high expectations the Approach has already generated.

The Service Area Approach takes the credit planning process to the village level. Under Panchayati Raj, with its emphasis on planning at the grass-root level, a more systematic development of the rural areas is expected to take place and, with the Service Area Approach, banks will be in a better position to extend full support to local development efforts by providing credit facilities at the door-step of the rural people. Plan formulation at the grass-root level would naturally create a sense of partnership between the bank staff and the local development and extension staff. This should lead to more realistic planning and improvement in the quality of rural credit. Such improvement in the subsidy-linked programmes for the benefit of the weaker sections would also improve the efficacy of the poverty alleviation programmes. With these decentralisation measures, emphasis in rural development will be placed on integrated development of agriculture, horticulture, dairying, poultry farming, etc. in the service areas of branches, as also on the lateral development of production, processing, packaging, marketing and transportation. Such integrated sectoral development should lead to faster employment and income generation in the rural areas.

I am also happy to report improved recovery performance of the Bank in respect of direct agricultural advances. This is due to improvement in agricultural production and agricultural incomes following an excellent monsoon. It is also due to intensification of the recovery effort by the Bank's staff. If State Governments render greater support to our efforts by strengthening the recovery machinery, recovery performance could be further improved. While on the subject, I consider it pertinent to mention that periodical announcements in some States to waive repayment of government loans or co-operative bank loans tend to vitiate the atmosphere for recovery. Concern of the State leaders for the poor farmers notwithstanding, we strongly feel

that nothing should be done to disrupt the fabric of rural credit which has been assiduously built up by the commercial banking system over the past two decades. Such disruption will not be in the large interests of the farmers themselves.

INDUSTRY

In another sector of the economy, we are witnessing today the small scale industry as being an important contributor to growth, accounting for 45 per cent of the country's total industrial production and 30 per cent of industrial exports. Your Bank has been a major partner in this assistance covers both non-financial and financial partnership, an Industrial Technology Group has been in operation in the Bank, as you know, to facilitate the process of technological upgradation in the small as also the medium scale industrial sectors, to improve their competitiveness and also to arrest incipient sickness. In a constantly changing environment, unless entrepreneurs improve their management skills, manufacturing methods and product designs, it may be difficult for them to improve quality and productivity and remain competitive.

The Industrial Technology Group, given the name UPTech, set up at the Bank's Central Office, is intended to assist and guide technology upgradation programmes. To ensure that these programmes are effective and well-monitored over a period of time, your Bank has, as a matter of strategy, taken up industry- and location-specific technology upgradation programmes, focussed on product and process areas and unit-level and institutional-level arrangements. The package of institutional-level arrangements, procedures, organisation and personnel policies and practices. The Bank's first technology upgradation programme was conducted in Coimbatore in September 1988 targeted at the agro-pumps industry. This was followed by a programme held in Kolhapur in March 1989, focussing attention on internal combustion engines and components industries. In the near future, we are planning to take up the diesel engine and components industry, in Howrah for the foundry industry, in Hyderabad for solvent extraction of edible oil from rice bran, and in Varanasi for fans and domestic water pump industry. Your Bank's Board has decided to allocate from this year's profits a further sum of Rs.1 crore to fund the UPTech programmes.

Our advances to large and medium industries have also recorded good growth and diversification in recent years, more significantly in thrust areas such as chemicals, electronics, petrochemicals, food-processing, leather manufactures, etc. This has imparted greater stability and balance to the Bank's advances portfolio. Measures aimed at improving quality of credit have included the conduct of industry-specific training programmes and the opening of dedicated industrial finance branches.

A matter that nonetheless continues to cause concern is industrial sickness, which was earlier manifest in traditional sectors like jute and cotton textiles, etc., and has now spread into a broad spectrum of industrial activity. While efforts to contain industrial sickness have been made over the years, a positive response has been overdue. This has now come through the process of industrial revival, which received a push through the formation of the Board for Industrial and Financial Reconstruction in terms of the Sick Industrial Companies (Special Provisions) Act 1985. The preamble to this Act defines its raison d'être as the making of 'special provisions with a view to securing the timely detection of sick and potentially sick companies owning industrial undertakings, the speedy determination by a Board of performance of the filing of references, remedial and other measures which need to be taken with respect to such companies and the expeditious enforcement of the measures so determined and eliminating delays by observing rigid time disciplines. The Board has already succeeded in expediting the filing of references, conduct of viability studies, formulation of revival packages, etc. Expeditious enforcement of these packages, involving sacrifices and co-ordinated action by all concerned agencies, has however proved somewhat elusive. I wonder whether the Board needs to be given more teeth, enabling it to take more effective action in the field of recycling the very substantial funds blocked today as non-performing assets.

PERSONAL BANKING

Turning to another area of the Bank's business, the personal banking segment of the Bank, which essentially consists of the household sector, has been contributing nearly half of the Bank's total deposits. The growing size of the Indian middle class, which has brought about a relative shift of segment of the market for consumer durables and new financial instruments and services, is increasingly becoming the focus of attention of banks. Cultivating this segment is important from yet another angle. It is very vocal and generally provides the opinion leaders in society. To meet this segment's felt needs, your Bank has introduced schemes such as 'Big Buy', 'Own Your Personal Computer', etc. and is energetically prospecting this market for novel need-based deposit, loaning and investment schemes.

CREDIT DEPOSIT RATIO

One of the objectives of nationalisation of the major commercial banks was to facilitate balanced economic development of the country. In the post-nationalisation era, through systematic and planned deployment of credit to different sectors of the economy, commercial banks have been able to step up their credit deposit ratios in the backward areas of the country. There remains nonetheless a constant clamour at various State-level forums for raising this ratio.

Raising this ratio was a useful tool to remind the banking system of its responsibility to give increased attention to the development needs of all areas and not concentrate on loaning in the urban and metropolitan centres only. With banks having achieved diversification of their credit portfolios to cover most productive activities, this performance parameter has lost its edge, and is not really a stable and reliable measure of a

bank's contribution to development. The credit deposit ratio may be high in certain areas, though credit may be low and deposits still lower. In fact, a low level of credit extension per se is a greater cause for worry than a low credit deposit ratio. What is important, therefore, is to ensure that the credit needs of all productive and income-generating activities in an area are satisfied. Development efforts need to be systematically directed towards evolution of bankable projects which can absorb credit and towards motivating entrepreneurs to start activities in the various sectors of the economy. In other words, in the current environment, growth in credit is a better measure of the contribution of banks to the development of an area. In the absence of such growth, the hindering factors then need to be identified and critically looked into. In very many cases, the factors may be found to be external to the banking system.

MONEY MARKET

The Indian money market has been undergoing major structural changes during the last few years in the wake of the recommendations made by the Chakravarty Committee and the Vaghul Working Group. This has heralded the beginning of a new era of liberalisation and deepening of the financial structure in the country to meet the needs of a diversifying economy. This liberalisation process received a further fillip during the last financial year as a result of steps taken to improve the efficacy of the interest rate mechanism. Interest rate policy has been further liberalised by permitting free play of market forces in the determination of interest rates in the call money market as also on two new instruments being introduced, viz. Certificates of Deposit and Commercial Paper. At the same time, the ceiling on interest rates on working capital finance has been removed, and these rates have been linked to the quality of credit. Clearly, the administered interest rate policy is showing a greater degree of realism.

The process of review of the administered interest rate structure should also be extended to cover the grant of credit at concessional interest rates. It may be recalled that such a review was recommended by the Chakravarty Committee which felt that undue emphasis on concessional rates of interest could well prove to be counter-productive. Interest concessions do not by themselves promote or improve the viability of the economic activities pursued by the weaker sections, unless accompanied by matching efforts in terms of input supply, marketing, training, etc. Not surprisingly, these ventures do not often succeed in raising the incomes of the target groups in spite of the interest concessions. This is because these concessions are no substitute for those linkages which have a vital bearing on viability and income-generation. In the absence of such linkages, interest concessions merely go to generate pressures on the already strained profitability of banks.

CAPITAL MARKET

I would now like to turn to the developments in the capital market in India during the period under review. The market remained buoyant, marked by a strong return of investor confidence which had suffered to some extent during late 1987 and early 1988. Apart from the increasingly visible strong fundamentals of the economy, several measures taken by the authorities, including some as a part of the 1988-89 budget, were instrumental in bringing about the turnaround. Resources raised during 1988-89 from the primary capital market touched a new peak of Rs.5,600 crores as against Rs.5,166 crores in the immediately preceding year. At another level, this figure needs to be compared with the amount of resources that were being raised a decade ago, say in 1980-81, when the figure was Rs.165 crores only. Estimates of investor population in India range from 12 million to 16 million, placing us globally in the third position after USA and Japan.

Brisk activity in the primary market was matched by a strong performance in the secondary market as well. The RBI All-India index of ordinary share prices (1980=100) rose from 183.3 at the end of 1987-88 to 306.6 at the end of 1988-89, a growth of 62 per cent – the highest growth in any one year in the recent past. Overall, therefore, the capital market, both at the primary and secondary ends, remained very active during the period, providing excellent opportunities to the corporate fund-raisers to mobilise resources for the various projects.

Perhaps the most important single factor which influenced the turnaround of the capital market in recent times has been the role played by institutional investors. The Unit Trust of India, along with new mutual funds, have been active investors in the market and, since these institutions make investment decisions professionally and on the basis of researched information, the market showed much greater stability than we had seen earlier. The size of operations of these institutions and their professional approach to investment decision-making proved to be of greater significance in countering the adverse effects of purely speculative transactions. SBI Mutual Fund set up by your Bank launched two new schemes during the period, the Magnum Tax Saving Scheme 1988-89 and the Magnum Regular Income Scheme 1989 – both of which attracted enthusiastic response. Another scheme has since been launched last month – the Magnum Monthly Income Scheme 1989 – and this too is receiving a strong response. The Fund has a few more schemes on the anvil to be launched in the coming months.

While Mutual Funds provide an ideal conduit to allow investors to participate in the stock market without having to acquire specialised skills or knowledge of the market, we are also noticing that the number of investors who are desirous of making their own investment decisions is steadily increasing. Early, this has been the result of increasing sophistication on the part of the community of savers who are encouraged by a greater flow of information through the ever-increasing volume of financial media. This, of course, is a welcome sign, as it testifies to the increasing maturity of the country's investing community. To assist them, your Bank has taken a step of setting up Personal Investment Centres or investment shops at selected branches of the Bank. At these Centres, a full range of advisory services will be provided to intending investors to assist them in making appropriate investment decisions conforming to their individual objectives. The Centres also provide services

such as the buying and selling of shares and other financial instruments, once clients make their investment decisions. We are hopeful that this facility will prove to be of interest to our individual clients and, depending on experience, we would be happy to open additional centres as we go along in our quest for what we ourselves term as a 'creative partnership with our customers' in financial services.

The buoyancy in the capital markets has also encouraged some of the more well-known companies to raise large resources for their existing and future projects directly from the capital market instead of seeking financial assistance from institutions and banks. Your Bank's merchant banking subsidiary, SBI Capital Markets Limited, was closely associated with a number of such transactions. It does seem that a trend is emerging for some of the more established corporate names to turn to the capital market for raising resources rather than tapping the institutional sources which was the pattern in the past. This too is an example of the growing sophistication of the corporate sector, and is a welcome feature. In fact, the Government have recognised this and are now granting approvals for large projects in a number of cases on the understanding that the promoters would raise the required resources from the market and not look to financial institutions for support. This development is likely to contribute to continued buoyancy of the capital market.

Another development noticed in the recent past has been the increasing interest exhibited by overseas investors in the Indian capital market. A number of institutional investors have visited the country singly and in groups and, in the course of these visits, have called on your Bank as well as on SBI Capital Markets Limited. With the better knowledge that they now have of the Indian capital market and its potential, there seems to be a keenness on the part of a number of these institutional investors to participate in this market. We are pursuing these interests with a view to setting up appropriate vehicles and organisations to channelise such investments into India. The NRI-Bonds floated by State Bank of India and managed by SBI Capital Markets Limited succeeded in mopping up over US \$ 91 million from non-resident Indians. I am also happy to inform you that the Government of India have recently approved your Bank's proposal to set up an off-shore fund under the name India Magnum Fund N.V. which will be managed by SBI Capital Markets Limited in association with Morgan Stanley Asset Management, New York, a well-known international investment management institution. This Fund, which will be privately placed, is targeted at institutional investors mainly in U.S.A. In addition to this, we have received indication of interest from a few other institutions who are keen to promote similar off-shore funds in association with us for attracting institutional investment into the Indian capital market. These are being appropriately pursued.

Looking back, events have now proved the soundness of your Bank's decision to set up in 1986 its wholly-owned subsidiary, SBI Capital Markets Limited. This subsidiary has emerged as the forefront of capital market activities in the country, and has enabled the State Bank Group to retain its primacy not only in banking but also in the emerging financial services sector. The years ahead will no doubt be challenging, as demands for better services steadily emerge from the increasingly liberalised corporate sector. Your Bank and its merchant banking subsidiary are well placed to respond to these challenges fully and completely.

Buoyancy in the capital markets, with the resultant increasing participation therein of individuals and corporate clients of the Bank, does in a sense pose certain threats to the Bank's traditional business. As corporate clients raise resources from the capital market in preference to institutions and banks, we do lose in the area of credit business. Similarly, as mutual funds and other financial products emerge and gain in popularity, deposits available from our individual and corporate customers may be affected. However, these are aspects which are a part of the process of financial sophistication and maturity which is emerging in our country, and we must accept these developments as they come. Your Bank believes that, as these developments take place, new business opportunities, particularly in securities and capital markets areas, will emerge for us and, overall, the markets for the group as a whole will become larger rather than smaller. On our part, we are closely watching these developments and are responding directly or through the Bank's merchant banking arm with appropriate strategies and products to capture the new and emerging business opportunities. Your Bank is also non-stop watching out for any need for organisational responses that may be needed, such as formation of new subsidiaries or vehicles to take care of the rapidly emerging scenario in the financial markets, and will take appropriate steps in good time.

TECHNOLOGY

A word on technology in the banking industry is very necessary at this stage. The clientele of banks – both corporate and individual – have long since been clamouring for sophisticated services which simply cannot be extended without the aid of computers. In a fast-changing world, where information is power, induction of state-of-the-art technology is not only necessary but crucial to our very survival. Without crossing the technology barrier, we cannot even manage our existing domestic business, let alone meet the competition of foreign banks. We cannot aspire to usher in the 21st century with the outmoded tools that we possess and work-loads that manual systems are simply unable to bear.

Unfortunately, while noticeable progress has indeed been made in certain data-processing areas, it is in the field of branch banking and accounting that, notwithstanding assertions to the contrary, technology seems to have passed us by. Branch computerisation is central to any integrated computerised system and holds the key to the ushering in of electronic banking in the country. In this respect, what we are doing today is primitive when we compare ourselves with banks abroad, not only in the west but also in many developing countries. In fact, even foreign banks operating in this country offer electronic banking services which we find ourselves helplessly unable to match. Unfortunately, business does not wait. It flows in a direction where it finds itself optimally serviced. I am sure that the bank managements and employee representatives appreciate the realities of the situation and will strive to reach understandings



which will ensure that Indian banking keeps pace with the times. A complete break has to be made from the past. The time for soft options is over. This, I may also add, has perhaps been the major casualty of the process of enforcing uniformity in the banking industry.

While on this subject, I can do no better than quote the eloquent words of Pandit Jawaharlal Nehru in the Scientific Policy Resolution adopted by the Government of India in 1958. The Resolution reads inter alia "... the key to national prosperity, apart from the spirit of the people, lies in the modern age, in the effective combination of three factors, technology, raw materials and capital, of which the first is perhaps the most important."

INTERNATIONAL OPERATIONS

An event of far-reaching significance for the Bank's international operations has been the assignment of prime/near-prime short-term ratings by two internationally reputed rating agencies from USA. The decision to seek the ratings and in the process, subject the Bank's operations systems and procedures, organisational structure etc. to a comprehensive scrutiny, stemmed from our desire to access the vast US domestic financial market for raising foreign currency resources for our overseas operations. The ratings secured by your Bank represent, we understand, the highest ratings for a banking institution from the developing world, and provide ample testimony to the strength of your Bank's policies and operations and the confidence of international agencies in the central banking regulatory system in our country. The diversified resource-raising operations abroad at competitive costs, which the ratings are facilitating, will enable the Bank to meet the increasing demands on the Indian banking system for financing the large scale imports flowing from technological upgradation, massive investments envisaged in the Eighth Five Year Plan, and the imperative need for a quantum jump in exports, both traditional and non-traditional. The resources that we are so raising will also enable us to diversify our operations at our foreign offices, whose assets are now in excess of US \$ 8 billion.

Your Bank's ratings have also to be looked at in the context of another important development in the field of international banking. Concern for the robustness of the international banking system has prompted the banking supervisors of the Group of 10 countries, meeting under the aegis of the Bank for International Settlements, to prescribe minimum standards of Capital adequacy. Capital is a bank's ultimate line of defence and so a true measure of its strength. Judging ourselves by these exacting standards our own ratio of Capital to risk-weighted assets was in the region of 6.5 per cent as on 31st December 1987. The corresponding standards stipulated for achievement are 7.25 per cent by end-1990 and 8 per cent by end-1992, of which at least 50 per cent has to be by way of core Capital. Our attempts at achieving these ratios may, inter alia, necessitate the raising of resources in the international financial markets through a variety of instruments whereby these resources can be treated as Capital. The ratings that your Bank has obtained will facilitate this process also.

The major objectives of our operations abroad have been to service Indian business and trade and to assist the export efforts of the country. This has been accompanied in recent times by a carefully planned move into areas of non-ethnic business and by bestowing greater attention on liability management through a mix of markets, institutions and instruments. This has generated better liquidity at optimum cost. Your Bank also continues the process of introducing Indian companies to the international capital market and assisting them to raise resources abroad.

All these are clear signs that your Bank – which has been ranked by the Institutional Investor as the 100th among international banks in terms of size of assets – is growing beyond domestic banking and developing into a truly international bank. In line with this new approach, your Bank is striving to have access to the latest in communications and information technology. As a first step in this direction, the Bank inaugurated its dedicated and integrated communication network known as SBINET, the first and biggest communication project in the Indian banking industry, aimed at improved customer service, operational efficiency and administrative effectiveness. The Bank has also been admitted to the membership of the Society for Worldwide Interbank Financial Telecommunication, popularly known as SWIFT, a medium for faster international transfer of funds.

LOOKING AHEAD

In conclusion, we can indeed draw satisfaction from the manner of evolution of your Bank in these past three decades or so. Over this period, your Bank has pioneered a number of activities. It has taken the initiative in providing finance to small scale industries on liberalised terms, spearheaded rural banking and made significant contributions to agricultural financing and rural development and also taken a lead in developing merchant banking. The role of a national bank such as the State Bank obviously keeps changing according to the changing needs of the economy. With the increasing opening up of the Indian economy, your Bank will have to play an important role in promoting exports, raising resources abroad, assisting in the technological upgradation of industries to improve their competitiveness in the international markets, without for a single moment overlooking its responsibility to contribute extensively to balanced and all-round development of the rural economy and to the process of employment generation and poverty alleviation. At the same time, the Bank will have to pay due attention to the expanding market for deposits and for other financial services to the corporate sector, as also to the growing middle class in the country. Your Bank faces this future with supreme confidence. I am particularly happy to report that our staff at all levels share this confidence and our vision of the future. Their constructive approach has always been – and will remain – a source of strength to the Bank. With accompanying and even growing emphasis on professional competence, your Bank is determined to retain its position as the premier commercial bank in the country committed to service and national development and to assume with increasing stature its rightful place in the international banking community.

